

## CHAPTER 5

PRICING OF DATAA. GENERAL

1. The estimated price of each requirement for technical data to be included in a contract solicitation shall be either developed by the requiring DoD Component or obtained from potential contractors. Such price estimates shall be used in making initial decisions and judgments as to whether or not the requirement for technical data-should be included in the contract. The accuracy of the price estimates should be determined by or related to the importance of the data products to management in making decisions. In some cases, contractors' estimated prices may not reflect all costs; and different contractors may reflect costs in various ways due to differences in business practices, differences in accounting systems, use of factors or rates on some portions of the data, application of common effort to two or more data items, or differences in data preparation methods. For these and other reasons, estimated data prices should not be used for contract pricing purposes without further cost/benefit analysis. Subsequent to proposal receipt, reviews shall be made by the DoD Component acquisition activity to validate costs and the continued need for the technical data requirements.

2. Acquiring technical data at a fair and reasonable price is the goal of all involved in the contracting process. In achieving that goal, it is good management practice to ensure that prospective contractors and the Government have a mutual understanding of the technical- data requirements, especially complex digital data products and services, to be contractually provided. That mutual understanding begins with a concise description of all technical-data requirements generated by tasks in the statement of work and may be enhanced by Government and

prospective contractor discussions at bidders conferences. Also, to achieve this goal, contracting officers, program managers, and technical data management personnel are encouraged to require contractors to separately price each requirement for technical data. The Armed Services Pricing Manual (ASPM) (reference (u)) provides procedures for pricing technical data requirements. Also, when the acquisition of greater rights in technical data is a factor, the contract must contain a separate line item for these rights as required by Subpart 227.402-72 of reference (b) (Refer to Figure 3-8 for a sample of contract line-item numbering of greater rights in technical data) .

#### B. OVER-AND-ABOVE CONCEPT FOR PRICING

1. The contractor will have to prepare certain data as a natural consequence of contract performance. Design, development, testing, and production tasks will generate certain data, whether or not a requirement is identified in a DD Form 1423 and delivery is requested. This factor is the basis for what is called the "over and above concept" for pricing data; the price paid for a data item will be based on what it costs the contractor to furnish that item, over and above the costs the contractor would incur if it were not required at all. To implement the over and above concept of data pricing, four price groups have been developed. These price groups are summarized in subsection C.3. below, of this Chapter and provided in greater detail in Chapter 9.5. of the Armed Services Pricing Manual (reference (u)).

2. The contractor's method of pricing should include costs for providing contract technical data management. Where applicable, these costs could include costs for digital data or CALS management functions, management support of Government reviews and audits of technical data products, and management of separate or integrated data base systems.

### C. PRICING BY CDRL DATA ITEM

1. The DFARS Subpart 215.873 (reference (b) ) requires the use of DD Form 1423 in solicitations when the contract will require delivery of data. The DD Form 1423, when made a part of the solicitation, shall include every known and anticipated data requirement. The offerors are asked to provide a price estimate for each technical data requirement. If the price estimates appear unreasonable, the offeror may not understand the technical data requirements. After a solicitation has been released, the source selection procedures in effect for a particular procurement must be followed strictly to protect the integrity of the procurement process. Therefore, contact the contracting officer for guidance if there is reason to believe that the offerors have not understood the technical data requirements, before making a decision to delete or retain the data requirement. The requiring activity uses the price estimates to decide whether is need for the data is worth the dollars the data will cost. If the activity concludes that it still needs and can afford the data, the requirement stays on the list; if it concludes that the price may be too high, it modifies or deletes the requirement. The amended list is then made a part of the contract.

2. Data price estimating is much the same as any other pricing action. When the contract is negotiated, the total price of the contract line item for data will be supported by cost or pricing data. The data will be submitted as a package, analyzed, and the prices negotiated. Some of the prime considerations that should govern the price estimating of data items on the DD Form 1423 are as follows:

a. The price estimates entered on the DD Form 1423 should reflect the total cost of providing the data including those costs associated with the development, access, and delivery of digital data, in accordance with CALS requirements.

b. The contractor should submit the cost or pricing data supporting the price estimates in accordance with the submission requirements contained in the DFARS Subpart 215.804 (reference (b)).

c. The concept of materiality, defined in the Armed Services Pricing Manual (reference (u)), should be applied at all points in the estimating-analyzing-negotiating-cost tracking cycle; the probable benefit should be worth the effort.

d. There should be as much concern with unit price integrity in pricing data items as there is in pricing spare parts. Also, attention should be paid to the total price negotiation technique in pricing data items, as is used in the negotiation of multi-line contracts, when other factors make it necessary to negotiate on the total contract price rather than on an item basis.

e. All Government and industry people involved in the price estimating process need to agree that the goals in this process are reasonably accurate costs and realistic prices, rather than precise and detailed accounting.

3. For each data item listed on the DD Form 1423, the contractor will specify one of the following price groups:

a. GROUP I. Data that the contractor prepares to satisfy the Government's requirements. The contractor does not need this type of data to perform the rest of the contract. Price would be based on identifiable direct costs, overhead, general and administrative (G&A), and profit.

b. GROUP II. Data essential to contract performance which must be reworked or amended to conform to Government requirements. The price for data in this group would be based on the direct cost to convert the original

data to meet Government needs and to deliver it, plus allocable overhead, G&A, and profit.

c. GROUP III. Data that the contractor must develop for the contractor's use and that requires no substantial change to conform to Government requirements on depth of content, format, frequency of submittal, preparation, and quality of data. Only the costs of reproducing, handling and delivery, plus overhead, G&A , and profit, are considered in pricing data in this group.

d. GROUP IV. Data that the contractor has - developed as part of the contractor's commercial business. Not much of this data is required and the cost is insignificant. The item should normally be coded "no charge." An example is a brochure or brief manual developed for commercial application which will be acquired in small quantities, and the added cost is too small to justify the expense of computing the charge that otherwise would go with the acquisition.

#### D. RETENTION OF COST ANALYSIS RECORDS AND CDRL PRICE ESTIMATE INFORMATION

Cost analysis records and CDRL price estimate information should be maintained by the project office for the following purposes:

1. Developing data costs on follow-on acquisitions.
2. Developing estimated data costs on new acquisitions.
3. Determining cost versus need of data.
4. Identifying cost drivers.